MP POWER MANAGEMENT COMPANY LIMITED
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No. CGM (Regulatory)/ 407 Jabalpur, Dated: 21/11/2025

To,

The Secretary,
Central Electricity Regulatory Commission,
6th, 7th & 8th Floors, Tower B, World Trade Centre,
Nauroji Nagar,
New Delhi- 110029.

Sub: Regarding comments on Petition no. 12/SM/2025 in the matter of Determination of the Buyout Price as an alternate compliance mechanism towards fulfilment of Renewable Consumption Obligation (RCO).

Ref:- Petition No. 12/SM/2025 dated 22.10.2025.

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With reference to above, MP Power Management Company Limited (MPPMCL) has made its comments/ suggestions/ objections, which are enclosed herewith for kind consideration of Hon'ble Commission.

Encl: As above

Generral Manager (Regulatory)
MPPMCL, Jabalpur.

Chief General Manager (Regulatory), MPPMCL, Block No.11, Shakti Bhawan, Rampur, Jabalpur (MP) 482008.
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COMMENTS ON THE PROPOSAL FOR DETERMINATION OF THE BUY OUT PRICE AS AN ALTERNATE COMPLIANCE MECHANISM FOR RCO COMPLIANCE

PETITION No 12/SM/2025

Comments on behalf of M.P. Power Management Company Ltd.

1(i) The electricity demand in Madhya Pradesh is predominantly given by the agriculture sector, which accounts for approximately 40% of the State's Annual Power Consumption. The State experiences two main agricultural seasons: the Non-Rabi season (April to September) and the Rabi season (October to March). This seasonality causes significant variation in electricity demand, with a difference of around 30 to 40% between the two periods. The peak demand typically occurs during the Rabi season.

(ii) This pronounced seasonal variation poses challenges for long-term renewable energy capacity commitment, which typically extends over 25 years. Due to the must-run status of RE plants, it becomes difficult for the State to absorb the entire generation during non-Rabi months, leading to the backing down of cheaper thermal plants or selling the surplus power in power exchanges. Despite these challenges, Madhya Pradesh is required to comply with the Renewal Consumption Obligation (RCO) without any relaxation related to seasonal demand variations.

(iii) To meet RCO targets, the State can procure power through the Green Day Ahead Market (G-DAM); however, this option is contingent upon favorable market rates. Purchasing power from G-DAM at high rates is not economically sustainable. Alternatively, the State can acquire Renewal Energy Certificates (RECs) via power exchanges, but this depends on the ability and volume of RECs in the market.

(iv) In scenarios where neither procurement from G-DAM nor the REC purchase option is available, Discom may resort to the buy-out option. Nevertheless, buying out at a premium exceeding 5% above the weighted average price is not a financially feasible solution, especially considering the current stress on Discom finances.

2. Linking buy-out price to REC price: The buy-out price should maintain a relationship with REC prices because both represent the value of Green Attributes. In this connection, the following are the concerns:-

(i) REC market volatility – REC prices have shown periods of significant price swings due to supply–demand imbalance. Pegging the buy-out price to the weighted average price REC price may introduce instability in obligated entities' compliance planning.

(ii) Need for predictability – Distribution licenses require a predictable cost structure to plan power procurement and tariff petitions. Any excessive year-to-year variation in REC prices could result in unintended cost spikes.

This Hon'ble Commission may consider the above views while deciding buy-out prices.

3. **Premium 5% over weighted average REC price** needs to be reviewed because the balance on consumer tariffs at the same time, RCO compliance, and liquidity in REC market are equally important.

A premium that is too high may impose an undue cost burden on retail customers, especially during a year when REC availability is considered and entities are compelled to pay buyout.

Looking to the above, it is suggested that the premium could be set between 1-1.5% with the Commission giving its appropriateness after every financial year, based on REC market performance.

4. **Use of FY 2024-25 REC prices for buy-out price determination**

The REC market in the financial year 2024-25 experiences in many Region tight supply conditions. As a result, these prices may represent a supply constraint environment, potentially overstating the "normal cost of compliance". It is prayed that this Hon'ble Commission may take a look at it while finalizing the buyout prices.

5. **Future year buyout price determination (up to FY 2029-30):**

The requirement for NLDC to publish REC weighted average price by 30 April may pose operational challenges due to reconciliation issues from the previous financial year. Any delay will

create uncertainty for obligated entities preparing compliance strategies in April-June. It is prayed that this Hon'ble Commission may look into the above difficulty while deciding the buy-out price determination up to the financial year 2029-30.

6. **Dependence on REC market liquidity**:

The proposal assumes that REC volume will remain adequate. As observed, if REC supply tightens in future years as RCO targets rise, reliance on REC price as a benchmark could inflate buy-out price sharply.

7. **Financial impact on End consumers:**

The buyout price directly affects Discom's cost of compliance. Any significant upward increase may lead to higher retail tariffs imposed on consumers.

Looking to the above, it is prayed that this Hon'ble Commission, while deciding the buyout prices, may review the actual market behavior to avoid unintentionally penalizing the obligated entities during the period of constrained supply. A balanced and stable price mechanism would promote investment while safeguarding consumers' interests. It is also prayed that this Hon'ble Commission may introduce a cap on year-to-year price variation in buyout price in the interest of End consumers.

It is proposed that this Hon'ble Commission may consider a hybrid benchmarking to avoid volatility and to ensure the consumer tariff impact is minimized.

General Manager (Regulatory)
MPPMCL, Jabalpur.